

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

INVESTIGATION INTO	)	
AMERITECH WISCONSIN'S	)	
UNBUNDLED NETWORK	)	DOCKET NO. 6720-TI-161
ELEMENTS	)	

**THE CLECS' REPLY BRIEF ON COLLOCATION ISSUES**

AT&T Communications of Wisconsin, L.P., WorldCom, Inc., KMC Telecom, Inc., McLeodUSA Telecommunications Services, Inc., Rhythms Links, Inc., TDS Metrocom, Inc., and Time Warner Telecom of Wisconsin, L.P. (hereinafter the "CLECs"), by their counsel, submit their reply brief on collocation issues.<sup>1</sup>

**Summary**

For the most part, Ameritech's initial brief (at pages 322-367) covers the waterfront on the collocation issues before this Commission. The CLECs, in their initial brief, anticipated and responded to the majority of Ameritech's arguments. The CLECs need not, and will not, rehash those arguments here. The CLECs do respectfully encourage the Commission and Staff to review the direct, rebuttal, and surrebuttal testimony of the CLECs' principal collocation witness, Mr. Steven Turner, for a comprehensive discussion of the CLECs' collocation positions and model, along with the flaws identified in Ameritech's model.

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<sup>1</sup> In this reply brief, the CLECs respond to arguments at pages 322-367 in Ameritech Wisconsin's initial brief. Given the voluminous record in this proceeding and the comprehensive coverage of these issues in the CLECs' initial brief, the CLECs have not attempted to reply to each and every argument asserted by Ameritech in its initial brief. The fact that an argument is not specifically replied to herein does not, of course, mean that the CLECs agree with Ameritech. The Commission is respectfully directed to the CLECs' initial brief for a full discussion of the CLECs' position on each issue.

In this proceeding, Mr. Turner identified various deficiencies in Ameritech's Physical Collocation, Cageless Collocation, and Virtual Collocation cost studies. In sum, the shortcomings in Ameritech's cost filing are of such a fundamental nature that this Commission cannot rely on it to fairly evaluate Ameritech's collocation costs. Moreover, Mr. Turner testified that the costs Ameritech did produce do not cover all of the relevant forms of collocation necessary to engender competition in the local exchange market.

The Physical Collocation, Cageless Collocation, and Virtual Collocation cost studies filed by Ameritech contain numerous general and specific problems that render them effectively useless for determining cost-based rates for collocation in Wisconsin. *First*, Ameritech, with limited exceptions, has significantly increased its reported costs over reasonable levels as compared with the Collocation Cost Model or other external costing guidelines. *Second*, Ameritech utilizes a per-foot individual case basis ("ICB") approach to costing many of the elements associated with collocation. As such, the Commission is precluded from making an affirmative assessment of whether the costs imposed on competitors for collocation is nondiscriminatory and cost-based, as required by regulatory orders and the Federal Act. *Third*, Ameritech does not utilize a systematic method for determining whether costs should be accounted for as recurring or nonrecurring costs. As a result, Ameritech's cost studies arbitrarily account for many investments that systematically should be treated as recurring and not nonrecurring costs.

Unfortunately, the nature of many of the other problems encountered within Ameritech's collocation cost studies is specific to the particular collocation element under study. Nevertheless, Mr. Turner identified specific concerns associated with many

of Ameritech's collocation elements. Specifically, he addressed the following recurring collocation elements: (A) Cageless Collocation Central Office Floor Space; (B) Riser Space; (C) Power Consumption; (D) 200 Conductor Electrical Cross-Connect Block; (E) DSX-1 Panel; and (F) DS1/DS3 Repeaters. He then addressed the following nonrecurring collocation elements: (A) Central Office Build Out; and (B) Power Delivery. In total, the deficiencies in Ameritech's collocation cost studies should cause this Commission to reject them outright as the source for setting collocation rates in Wisconsin. Ameritech has artificially inflated its collocation costs, making it that much more difficult for new entrants to compete. Nonetheless, Mr. Turner presented, where possible, corrections to the previously identified collocation elements that bring the costs closer to a properly calculated TELRIC for the element. (Tr. Vol. 10, p. 3667)

Finally, the Commission should note that Ameritech has failed to provide cost studies for all of the required forms of collocation under the FCC Advanced Services Order. Specifically, Ameritech has failed to provide cost studies for Shared or Common Collocation and Adjacent Collocation. Further, with Cageless Collocation, Ameritech has developed the costs using assumptions that in no way reflect the guidance found in the Advanced Services Order.

The Collocation Cost Model documentation in the record, not to mention Mr. Turner's voluminous and detailed testimony, provide an overwhelming case in support of the CCM. The record in support of Ameritech's cost studies pales in comparison.

**I. AMERITECH'S CRITICISMS OF THE CLECS' COLLOCATION COST MODEL ARE BASELESS.**

While quick to criticize the CLECs' collocation cost model ("CCM"), Ameritech neglects to mention that the CCM has been widely accepted around the country. Most recently, the California and Texas Commissions' have accepted the CCM for use in cost proceedings. The California and Texas Commissions utilized the Collocation Cost Model because it provides collocation costs for all of the forms of collocation required by the FCC's Advanced Services Order, is consistent with the rate structure approach the Commission wants to pursue (at least in Texas), and provides an efficient modeling framework for making straightforward changes to inputs. (Tr. 3716) Moreover, the Michigan Commission rejected Ameritech's study and adopted the CCM and its inputs across the board for setting collocation rates in Michigan. (Tr. 3713-3715) Mr. Turner testified that he was unaware of any state commission in the SBC region that has formally approved the use of an SBC model over the CCM in a cost proceeding. (Tr. 3715) For being as "flawed" as Ameritech would have this Commission believe, the CLECs' CCM has been uniformly approved for use in setting collocation rates around the country.

Moreover, there are three documents provided with the CCM that cause its supporting documentation to be superior to Ameritech's. First, the CCM is provided with a comprehensive 119-page White Paper that explains the engineering and modeling assumptions utilized in developing the inputs and cost calculation approach used with the model. With the CCM, this Commission not only knows what the inputs are and how those inputs are used, but why the developers developed the collocation costs in the manner that they did. Second, the CCM is provided with a comprehensive 143-page Backup Documentation that outlines the development of all of the inputs into the model.

There is nothing comparable with Ameritech Wisconsin's collocation cost filing in this proceeding. Third, the CCM itself, in electronic form, provides a roadmap that demonstrates how all of the costs are calculated and provides a straightforward way for the user of the model to conduct sensitivity studies and perform modifications to evaluate the immediate impact on resulting rates. In short, the CLECs' Collocation Cost Model is thoroughly documented in both written and electronic form. Ameritech Wisconsin has presented nothing even remotely comparable. (Tr. 3717.)

Ameritech is so anxious to dredge up criticism of the CCM that it attacked Mr. Turner for matters not at issue in Wisconsin. Ameritech witness, Mr. Conwell, criticized Mr. Turner for not including costs related to land and building investment for DC power. Had Mr. Conwell reviewed Ameritech Wisconsin's cost studies filed in this proceeding, he would have learned that neither the CCM nor Ameritech's own collocation cost studies include Land and Building investment associated with the DC Power Plant. (Tr. 3718). Based on his experience in working within central offices and in developing and reviewing collocation cost studies over the last four years, Mr. Turner explained there are at least two reasons for this. First, much of the Land and Building space for the DC Power Plant is not technically telecommunications space and therefore should not be attributed to the cost of the power plant. Specifically, the cost for the space occupied by the DC Power Plant is recovered through factors that are incorporated into the Land and Building rental rate as unassigned space. Second, the incremental cost associated with this space is minimal and therefore is not material to developing the cost for DC Power Consumption. (Tr. 3719.)

The Collocation Cost Model includes engineering, labor, and other capitalized costs incurred in placing digital cross-connect systems. The investment for the digital cross-connect systems ("DCS") used in the CCM is comprehensive in nature. What is also surprising is that Ameritech Wisconsin did not even submit costs for collocation interconnection arrangements that terminate on DCS. Thus, Ameritech's "expert," Mr. Conwell, criticized the CCM in an area where Ameritech did not even submit a cost study.

He didn't stop there. Mr. Conwell also criticized the CCM for failing to use fiber raceway instead of fiber cable racking. Again, Mr. Conwell's criticism relates to other states where Mr. Conwell has evaluated the Collocation Cost Model, but not in Wisconsin. Ameritech's own cost study only utilizes fiber cable racking. It does not also add fiber raceway to the cost study. Thus, it does not appear that Mr. Conwell's criticism is even consistent with the approach utilized by Ameritech Wisconsin in its own cost study for the related area – Entrance Fiber. Moreover, the investment for the fiber racking is not even the issue. The real issue is that Ameritech has assumed a fill factor of **\*\*CONFIDENTIAL -- END CONFIDENTIAL\*\*** percent for its fiber racking investment when in Michigan it used a factor that was almost an order of magnitude higher. The appropriate fill factor that should be used for this investment is 85 percent. This is the issue (fill factor) that this Commission should focus its attention on – not whether fiber raceway is included in the investment or not. In short, under orders to find problems with the CCM, Ameritech's witness zealously found "problems" that don't exist and that are inconsistent with his client's position in this proceeding. (Tr. 3721-3722).

Moreover, the CCM does not understate the installation effort associated with cage construction. (Ameritech Init. Br. at 353). The CCM relies on an external source, R. S. Means, for its cage construction cost estimates. R. S. Means identifies the costs associated with the materials for its various components and separately accounts for the labor component. There is absolutely no reason for R. S. Means to be biased to understate costs in that it is used throughout the construction industry for developing construction cost estimates. If R. S. Means consistently understated costs, this guide would not be in business. Moreover, the information that is incorporated into R. S. Means is based on the actual projects conducted by contractors in the various construction areas. In short, this Commission should feel confident in relying on R. S. Means in developing the costs for cage partitioning and other related categories of cost. Moreover, Ameritech presented no evidence that supports its assertion that the installation effort is understated in R. S. Means or its use in the Collocation Cost Model. (Tr. 3722.)

Nor does the CCM understate the cost associated with power plant construction. Ameritech did not even present any evidence to support this contention. In fact, the evidence is to the contrary. Ameritech has determined that the investment per amp for DC power is **\*\*CONFIDENTIAL ----- END CONFIDENTIAL\*\***. The CCM determined the investment per amp for DC power to be \$222.45. In other words, Ameritech criticized the CCM for understating the investment for DC Power Consumption because of understating the cost of constructing the DC Power Plant. However, in Wisconsin, there is no dispute on the cost per amp, but rather whether the cost should be based on a load amp basis or a fuse amp basis. Mr. Turner did not

criticize Ameritech for its development of the investment for DC Power Consumption because such criticism was not warranted. In short, Ameritech's criticism has no merit. Further, if Ameritech's own witness had been familiar with Ameritech's own cost submission in this proceeding he would have seen that the investment included in the Collocation Cost Model is actually a conservative value for use in Wisconsin. (Tr. 3723.)<sup>2</sup>

The Collocation Cost Model does reflect "best practices," contrary to Ameritech's claim. (Ameritech Init. Br. at 339). In every state that Ameritech has referenced – California, Texas, Kansas, Nevada, and now Wisconsin – Mr. Turner obtained a copy of a document that SBC uses network-wide known as "Standards for Network Equipment Environments and Space Planning Considerations." (Tr. 3727). This document is known as a "BSP" or "Bell System Practice" and represents the best practices on how network equipment should be configured and space planned within a telecommunications environment. (Indeed, the CLECs would encourage this Commission to review this document in that it is amazingly similar to the Collocation Cost Model White Paper engineering standards in virtually every respect.) This should not be surprising, however, because the way that these documents were written is through the collective experience of telecommunications experts that has been developed over the last 35 or 40 years. In other words, BSPs or "best practices" are very similar across all of the telecommunications industry because they reflect the best way that telecommunications engineers know to configure telecommunications equipment and plan space within a

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<sup>2</sup> Mr. Conwell again is complaining about an area in the Collocation Cost Model where the costs in the Model are actually higher than those found in Ameritech's cost study. Unfortunately, and inexplicably, it appears Mr. Conwell simply took a standard package of criticisms of the Collocation Cost Model that he



central office. (Tr. 3727.) The point is that there is incredible similarity and authentication between the best practices used in the Collocation Cost Model and Ameritech's own engineering guidelines. The real issue in this proceeding is not whether the Collocation Cost Model "best practices" are authenticated, but rather whether Ameritech should have to use its own best practices in determining collocation costs for its competitors.

Finally, there is nothing "hypothetical" or "speculative" about the standards used in the CCM. The standards in the CCM are completely consistent with Ameritech's own engineering standards. The reality is that the standards used in the CCM, if anything, may be too conservative after Mr. Turner's extensive review of Ameritech's engineering standards. However, the central problem in this proceeding is that Ameritech has not used even its own engineering standards in developing its costs for collocation. (Tr. 3728.)

Ameritech dredges up even more criticisms of the CCM, most of which are insignificant in their impact, and none of which led other state commissions to reject the model. Mr. Turner, in his surrebuttal testimony, addresses each of Ameritech's claims in painstaking detail.

## **II. AMERITECH FAILS TO ADDRESS THE SIGNIFICANT FLAWS IN ITS OWN STUDY.**

In its initial brief, Ameritech makes no effort to address the flaws that CLEC expert Mr. Turner identified in its studies. Although Mr. Turner identified several

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makes in other SBC states and simply tried to blindly apply them in Wisconsin without checking whether they made sense.

deficiencies, two in particular have troubling ramifications throughout Ameritech's collocation cost studies.

**A. Inappropriate Use Of A Per-Foot ICB Costing Approach**

There are two areas where Ameritech has followed an ICB approach to calculating the costs for collocation. First, many of the cost elements in Ameritech's collocation cost analysis are based on cabling distances over which Ameritech has complete control. Ameritech has documented what its costs are on a per foot basis, but has completely removed from the Commission's review the distance that this cost will be applied to. Ameritech has considerable motivation to make the cabling distances as long as possible. Moreover, Ameritech may prefer to give its own equipment preferential placement within the central office or simply drive up the entry costs (via collocation charges) for its direct competitors. In any event, the Commission should require that Ameritech's collocation cost analysis incorporate the distances that the costs will apply to so as to ensure that the costs are nondiscriminatory and based on efficient, forward-looking cost principles. (Tr. 3668).

**B. Inappropriate Use Of Nonrecurring Costs**

Ameritech's cost studies fail to use a systematic approach to determining whether a collocation investment should be treated as a nonrecurring or recurring cost. As such, Ameritech's designations of investments into these two categories are purely arbitrary at many points. Because of the inhibiting impact that large one-time charges can have on competition, this Commission should be particularly concerned that a consistent approach be used in determining whether an investment is recovered using nonrecurring or recurring costs. The CLECs' Collocation Cost Model provides an approach for

systematically determining whether an investment should be treated as a nonrecurring or recurring cost. In short, this approach evaluates for each investment category whether the asset is reusable and/or sharable with the incumbent.

Specifically, there are numerous problems with Ameritech's Central Office Build Out charge. Ameritech has not presented the supporting data that would even begin to justify the nonrecurring charge level it intends to levy. Further, the data Ameritech did provide is untraceable from the supporting documentation through to the results because the values do not match up through the cost study.

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Finally, Ameritech continues to resist its obligations to provide all forms of collocation. (Ameritech Init. Br. at 322-324). The FCC's Advanced Services Order and other related collocation orders fully support the six forms of collocation found in the Collocation Cost Model. However, even if Ameritech disagrees with the CLECs, the Advanced Services Order requires that if a form of collocation is available in one jurisdiction there is a presumption that the same form of collocation should be available in other similarly situated networks. One only has to look east across Lake Michigan to find a similarly situated Ameritech network in Michigan where all six forms of collocation included in the Collocation Cost Model have documented terms, conditions, and prices in the Michigan Collocation Tariff. Moreover, Texas, Oklahoma, and Kansas for Southwestern Bell (a sister company to Ameritech) all include the same six forms of collocation as well. The bottom line is that Ameritech has a regulatory obligation to provide these forms of collocation because they are already being provided in similarly

situated networks, notwithstanding that the FCC Advanced Services Order supports these forms of collocation by its findings.

## **CONCLUSION**

The Collocation Cost Model identifies the forward-looking economic costs for six different collocation alternatives. It presents the costs and algorithms associated with each of these six forms of collocation in such a way that the calculations can be easily traced through the model and modified as necessary by this Commission. In stark contrast, Ameritech's collocation studies contain fundamental flaws and errors that render their results suspect and unreliable. This Commission should adopt the Collocation Cost Model, and should require Ameritech to implement the collocation rates it identifies.

Dated this 13th day of July 2001.

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